

“Profitable Candlestick Entry and Exit Strategies”

How To Recognize The Exact Right Time To Buy Or Sell

A Candlestick Forum publication – Years of Candlestick Analysis made available in concise formats. Information that when learned and understood will revolutionize and discipline your investment thinking.

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Introduction

The Candlestick signals are in existence today because of their statistical probabilities. As can be imagined, the signals would not be in existence today if they did not produce profits. Profits noticeable through history, significantly more than random luck or normal market returns. The purpose for utilizing the Candlestick signals is to put as many probabilities in your favor as possible.

The fact that the signals are still around is due to results over centuries of observations. Assuming that the probabilities of making a profit from a signal is above 50%, maybe 60%, 70% or even 80%, those percentages can be enhanced by an additional factor. *(To date, statistical performance has been difficult to obtain. The fact that there have been severe misunderstandings by most investors of when a signal is truly a signal has been a deterrent. That lack of knowledge and the multitude of parameters needed to do statistical analysis makes programming for statistical results an overwhelming task. The Candlestick Forum is currently directing local university projects to accumulate those statistics. They will be made available to Candlestick Forum members as results are obtained. Because of the magnitude of this project, information will probably be released in bits and pieces as they are completed.)*

How the position is acting once the signal has appeared is an immediate filtering element. Being that we all eternal optimists, we want every position to go up as soon as we buy it. But keep in mind, even with phenomenal results of 80% positive trades, that still leaves 20% that will not work. The more steps that can be taken to reduce the bad trades, the better the results of your placed investment funds.

The information revealed in this book and on the Candlestick Forum website is not the telling of ancient “secrets” or the new development of sophisticated computer generated formulas. It is the assembling of common sense observations from centuries of actual profitable experience. As you may have noticed yourself, Candlestick information has been around for several decades. Everybody knows about them, they use the graphics for better viewing of charts, but they just don’t know how to use the signals themselves. You, by taking the time and effort to research the Candlestick method, are still in a small minority of the investment community. All the concepts conveyed in this book and the rest of Candlestick analysis is just common sense. Remember, the Japanese rice traders made huge profits from the Candlestick method. They used rice paper to draw charts and backlit them in candle boxes. The concepts applied to Candlestick analysis eventually became the backdrop of the Japanese investment culture.

Common Sense

As you learn about the Candlestick method, keep in mind that the common sense approach is what distinguishes this investment technique from most other trading practices, with those practices being heavily weighted by emotional decision-making processes. The information you are receiving is knowledge available to everyone. However, you have the benefit of getting the correct **interpretation**, which means you get the desired results. Take advantage of this knowledge. It will create confidence in investing that most people never experience.

Just as the signals produce valuable information as to when to buy a position, they are just as valuable for demonstrating when to sell. This sometimes is much sooner than is expected. Simple logic tells us that if a Candlestick “buy” signal appears in the right place with the right confirming indicators, that the trade should be ready to go. Unfortunately, reality may show a different outcome. How a price opens the next day is also a very important indicator as to how aggressive the buyers are. (The same parameters can be applied to sell / short transactions, but for illustration purposes, the buy side will be used to represent all trades.) Utilizing that information can be instrumental in weeding out less favorable trades.

The logic behind the results of an open the next day after a signal is simple. Is there evidence that the buyers are still around? That information is readily available through inexpensive live-feed services. We recommend the TCNet program (see more information about all the investment benefits that TCNet provides for investors on our site, www.candlestickforum.com). Being able to view how a stock is going to open before the market opens improves an investor’s positioning dramatically. Watch your returns multiply by eliminating the bad trades.

The shorter the trading period, the more critical the opening placement. Options are trading vehicles that require the most exact timing possible. Longer-term investors have more leeway when putting on a position. A six-month trade or a one-year trade is usually being bought when the monthly, weekly and daily candlestick charts all coordinate, each chart showing it is time to buy. (The monthly and daily charts are the pivotal charts for long-term investors; the weekly chart is often out of sync with the other two, which does not affect the results).